HOUSING PRODUCTION REPORT

SUBMITTED TO GRANTS COMMITTEE

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PREPARED BY THE HOUSING

TASK FORCE [L.A.]

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GRANTS HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE

HOUSING PRODUCTION TASK FORCE REPORT

EXECUTIVE SUMMARY

The Task Force has put together a comprehensive, coordinated housing production plan which makes the maximum use of the resources available to the City. This production plan outlines specific production goals as well as defining which City agency, or agencies, are responsible for implementation, along with a schedule for completion of each project.

The task force has also added a list of recommendations for legislative action to change certain state federal and local guidelines which the Task Force believes inhibit the production of low/moderate income housing by both the public and private sectors of our economy. Examples of these recommendations would be changes in the reporting requirements for the California Environmental QualityAct and easing of HUD Block Grant program regulations.

Along with the technical report the Task Force includes a narrative outlining the nature of the housing problem, its historical roots in City policy, and other contributing factors such as the rapid escalation of interest rates and land prices. There is also a complete outline of the various city agencies involved in housing production and their respective roles in the housing production program. A glossary of federal state and local housing programs has also been included with the report.

The following is a list of the fifteen (15) programs which comprise Comprehensive Housing Production Program 1980-84:

	PROGRAM	LEAD AC'Y	TOTAL
1.	"Five-plex"	CRA	1300
2.	Large Family Relocation Housing	HOUSING AUTHORITY	100
3.	Land/Capital Assistance	CRA	400
4.	Land/Capital Assistance	CDD	1695
5.	Redevelopment Areas	CRA	1390
6.	Central Business District	CRA	335
7.	Middle Income	CRA	1400
8.	Land Write-Down	CDD	2500
9.	CHFA (land write-down)	CDD	1020
10.	HUD-held	HOUSING AUTHORITY	270
11.	Elderly	CDD	1754
12.	NSA - (Hollywood/Crenshaw)	CDD	1040
13.	SCAG Bonus Units	CDD	800
14.	Low Rent Public Housing	HOUSING AUTHORITY	900
15.	Municipal Finance Fund	CDD	

SYNOPSIS

Housing Production Report

STATEMENT OF THE PROBLEM

There are two interrelated housing problems facing the City of Los Angeles: a shortage of housing and the high cost of housing. Recent studies in Los Angeles have shown that it will be necessary to produce annually between 58,000 to 80,000 units of residential construction, if a vacancy rate which provides mobility in the market is to be reached. Of that 80,000 unit demand, the most severe need is for multi-family rental construction, estimated at an annual demand between 62,000 and 70,000 units per year, dependent upon whether the numbers include an estimate of undocumented workers.

The demand for rental residential housing is increasing due both to the inability of families to qualify for increasingly high priced ownership properties at interest rates in excess of 15%, and the failure to build any unsubsidized rental housing in Los Angeles during the past year. The largest number of multiple family units constructed in Los Angeles at any point between the years 1965 and 1978 was 21,000 in the year 1970; the lowest number of permits issued for multiple families was in 1974 when 5,135 units were built.

In the past five years, 1975-1980, less than 12,000 units per year have received permits; most of the multiple family permits in the past three years have been for condominium units. Statewide, there is a current construction need of 179,500 units a year. Over the past five years, new housing production at the State level has averaged 29,500 units a year or only 16% of the current need.

The housing shortage in Los Angeles is not of recent origin. As indicated by the numbers above, there has been a growing gap between the number of units produced and those which the market demands. A growth in the total population of the City of roughly 3.6% between 1970 and 1977; a decrease in the average number of persons per household; and an increase in undocumented residents in Los Angeles estimated at over 1,000,000 have exacerbated the low level of production of residential housing and resulted in the current housing crisis.

Added to the actual shortage of numbers of housing units is the equally severe problem of housing affordability, particularly for those earning less than $25,000/year, the standard formula of twenty-five percent (25%) of income for housing is no longer realistic. A majority of households in Los Angeles are now spending 30% of their incomes for housing, with many others exceeding the 40% level.* Increases in the specific costs for land, financing, labor, materials and processing have all affected the bottom line number. As indicated in Chart 1, land and financing are the two major components resulting in higher priced units. Any City housing program which is successful in producing affordable housing must include methods to reduce both the cost of land and financing.

*Many lending institutions are using 30% of gross income for purpose of qualifying mortgage loans.

Los Angeles ranks as the third most expensive City in the country for housing costs, in a recent study issued by the U.S. Savings and Loan League. The median sales price for an existing single family home in the City of Los Angeles in the first quarter of 1980 was $115,000. That median sales price compares to a $30,000 median value in 1970, a difference of 283%. Income has not been able to keep pace with the cost of housing. The median income in Los Angeles in January, 1980 is roughly $19,000. In 1970 it was $10,500, a differential of 81%. The discrepancy in the increase between the median sales price of homes (238%) and the median household income (81%) explains the difficulty many have in finding affordable homes.

Utilizing the guidelines that families should spend only 30% of their gross monthly income for housing, and assuming the median price ($115,000) of a single family home, over 95% of the Los Angeles households in 1979 do not have sufficient income to afford the average home, thus creating a permanent class of renters (See attached Chart II). It must be further noted that the $19,000 median income is an income reflective of homeowners and renters together. Statewide, the average income of a renter is less than $10,000; so the housing crunch for the renters becomes even more severe and the choices more limited.

HISTORICAL PERSPECTIVE

Los Angeles has primarily been a single-family market where low density, detached units were viewed as a desirable use of land in the most successful residential communities. Until 1974, there were more owners in the City than renters, and more single-family units than multiples. Of the current 1,169,149 units (October, 1979 estimate) in the City of Los Angeles, 601,694 (51.5%) of them are currently multiple units, with the percentage of the multiples growing yearly. There has been little historical support for either higher density residential development or an active government role in promoting low rent housing.

It must be recognized that the recent aggressive program articulated by Mayor Bradley at the beginning of his administration was germinated on soil which had not, in the past, been fertile to housing concerns. Former Mayor Bowron was strongly opposed in the early 1950's for his support of public housing; and even into the 1970's, voters indicated their concern regarding a public role in housing development. In 1974, voters rejected a repeal of Art. 34 of the State Constitution, which requires that a referendum be passed prior to the development of City or State supported low income housing. Article 34 has been a major stumbling block in the development of adequate family housing in the City of Los Angeles.

The two agencies that have been most directly involved in housing production at the local level are the Community Redevelopment Agency (CRA) and the City Housing Authority (CHA). Both Agencies have,

in the past, acted as conduits for Federal funding of housing and have utilized their taxing and bond financing powers to sponsor the development of housing.

A. Community Redevelopment Agency (CRA)

The Community Redevelopment Agency, established in 1948, has four major functions:
- the elimination of slums and blight
- the provision of housing, especially for those of low & moderate income
- upgrading and preserving existing neighborhoods
- promoting economic development.

Within the housing field, the Agency has a variety of powers including land assembly, provision of site improvements and sale of the improved site to a private developer or public agency at a reduced cost. The Agency is alos empowered to issue tax-exempt mortgage revenue bonds, the proceeds of which can be used for financing new construction or providing rehabilitation funds. The CRA can also make available funds to private developers to provide "gap" financing for low and moderate income housing. In addition, the Agency can also act as the actual builder/developer of low and moderate income housing. As a result of these activities, the Agency's housing production record includes, as of 1979, 4,442 new units complete or under construction of which 63 percent were for low and moderate income families. Four thousand additional units are in the Agency's "pipeline" for development. Within the rehabilitation area, the Agency provides grants, loans and technical assistance to property owners to upgrade and improve their property. To date, over 2,800 units of housing have been upgraded within CRA rehabilitation areas.

The Agency has two unique financing sources, one of which is tax-exempt mortgage revenue bonds, as discussed above, and the other is tax increment financing. These funds, derived from increased tax revenue, resulting from redevelopment activity, can be used for a variety of project activities including the provision of housing. The use of these funding sources - tax increments and mortgage revenue bonds - can under certain circumstances be used to assist housing developments outside redevelopment project boundaries.

The Agency has recently adopted a 5-year Housing Production Program permitting the use of $46.6 million of tax increment funds to produce 3,500 units of low and moderate income housing. the program also includes an additional 3,700 units of middle and market rate housing.

As indicated in Chart 4, the CRA will be directly involved as lead agency in five of the fifteen programs identified as part of the City's Housing Production Strategy. In this effort, the CRA will use, in addition to its own financing capabilities (tax increments and tax-exempt revenue bonds), dollars received through HCD allocations, special UDAG grants, and Section 8 subsidies.

B) <u>City Housing Authority (CHA)</u>

The City Housing Authority (CHA) was established specifically for the purposes of providing residential housing to persons of the very lowest income. The Authority currently owns and manages 21 public housing projects, consisting of 8,609 units. In addition of their own projects, the CHA leases and manages units through the City's Section 23 and Section 8 Housing Assistance Payments Programs, where privately-owned housing units are utilized to provide shelter for lower-income residents. The CHA is dependent upon funds from rents paid by tenants for housing operated by it, from an active use of HUD Section 8 Housing Assistance Payments Program; from tax exempt bond issues; and from a contract with HUD for the operation of its public projects. Under the City's Housing Production Program, the City Housing Authority will have responsibility for three of the 15 programs being proposed.

C) <u>Community Development Department (CDD)</u>

In 1977, in an attempt to coordinate the activities of those agencies involved in distributing services, planning and developing housing activities, and constructing public improvements through the Community Development Block Grant Program, Mayor Bradley and the City Council established the Community Development (CDD). The Housing Division of CDD has been active in developing the basic core of the City's housing rehabilitation efforts; has the responsibility of reviewing all proposed housing projects receiving any form of Federal, State or Local assistance to private developers (213 Review); submits applications for special funding for housing project areas (Hollywood, Crenshaw, Innovative Grants, and Urban Homesteading); develops legislative positions at the request of the City Council, and in the summer of 1979, initiated a Housing Production Program to encourage the development of affordable low and moderate income housing.

The Department has been involved in establishing a Municipal Finance Agency (MFA) for the past two years. When fully established, this agency will issue tax-exempt bonds for mortgages on low and moderate income housing projects. Such an agency is expected to receive final Council review prior to its establishment in early summer, 1980. There is one obstacle to its full implementation - as well as that of SB 99 mortgage bonds - resolution of national legislation restricting municipal sales of housing bonds (Ullman Bill).

CURRENT RESTRICTIONS

It should be emphasized that the housing problem is not limited to California but is nationwide. As indicated by the above statements, the inflationary trends of the past three years on a national basis have pushed prices and rents of new, as well as existing, housing beyond the ability of most households to pay (See Chart II).

A recent Report to Congress by the Controller General's Office entitled, "Rental Housing: A National Problem That Needs Immediate Attention," published in November, 1979, states as follows:

> "Millions of Americans cannot afford home ownership and cannot find affordable rental housing. Immediate national attention is necessary if an adequate supply of affordable rental housing is to be available. The Department of Housing and Urban Development (HUD) is the primary Federal Agency responsible for providing assistance for rental housing. The Congress and Administration must take further steps to mitigate this nationwide crisis."

In addition to the rising costs of housing development, there are severe program, legal and economic constraints.

A. Housing Component Costs

Recent increases in the cost of producing housing have made it virtually impossible to create rental housing at levels which are affordable to the average income household. As seen in Chart 3, land and construction costs have continued to soar beyond the capabilities of the private sector to produce affordable housing for moderate income families. Nor are governmental resources sufficient to meet the demand for low income families.

B. Limitations on Federal Subsidies

The Federal Government has provided Community Development funds to localities, to assist localities in financing necessary capital improvements and to provide incentives in rehabilitating urban communitys.

1. Community Development Block Grant - The stringent and conflicting regulations applied by HUD on the use of these funds has contributed to a delay in their expenditure and has encouraged interim rather than long term responses to serious housing problems. The Block Grant program was not originally designed for housing construction. Until recently, HCD funds could not be utilized for housing production. Even current regulations restrict the use of HCD dollars to the purchase of land and site improvements for the construction of new housing. If non-profit developers are involved, HCD dollars may be used further to assist in construction of low income housing.

Moreover, generally HCD dollars used for housing developments must benefit residents below 80% of the City's median incomes. If the entire $56 million of housing was applied to housing construction assuming that the City paid the total cost of land and issued tax exempt bonds at an 11% level, rents would still exceed the 80% median income ($19,000) criteria. (See Chart III. Column 4) making use of Block Grant dollars ineligible. Only if the City were to funnel HCD dollars for partial construction costs; through a neighborhood based non-profit; subsidize total land costs; and successfully market tax-exempt bonds at 10% or less can units be constructed that would rent at levels affordable to households earning 80% or less income. (See Chart III).

2. Section 8 - A total of 2,597 units of Section 8 subsidies will be allocated to the City of Los Angeles in the year 1980. This includes the following allocation: 1,374 units (52%) new; 211 units (8%) rehabilitation; 712 units (27%) existing; and 300 units (12%) NSA units. These units total $11.2 million of Section 8 authority, only 72% of the $15.4 million allocated to the City for Section 8 subsidies in 1979.

   Further complications occur in the expenditure of the HUD dollars through the development of complex formulas in the City's Housing Assistance Plan (HAP) which require that a proportionality index be applied in distributing units by elderly, family, and large family; by new, rehabilitation, and existing; and by geographical areas of the City. Such rigid national criteria fail to consider local priorities and defeat the City's own strategy to rehabilitate neighborhoods through the assistance of in-fill housing projects.

C. Article 34

As indicated earlier, California voters imposed a constitutional requirement that those low income projects to receive public financial assistance must have voter approval. The City of Los Angeles has passed two referenda, in 1973 and again in 1977, which have authorized the Housing Authority and private developers to build a limited number of publicly financed units, not to exceed a certain ceiling in each Council District. However, all family projects built under Article 34 authority are restricted to five units per site. This has made it difficult to develop feasible projects. On the June, 1980 ballot, a ballot motion has been prepared by the City of Los Angeles to expand its Article 34 Referendum, which will greatly assist in alleviating this obstacle by increasing both the allowable number of family units per site and the number of authorized units per Council District.

In addition, the State ballot will contain a measure which will modify Article 34, making it less restrictive for low income projects.

D. Available Financing

The issue of access to conventional dollars for development purposes has been a long-standing discussion in Los Angeles. The criticism of redlining, initiated in 1977, has now been largely resolved through the development of positive lending programs in minority communities. The question now is no longer solely one of access to funds, but also the cost of financing. With prime rates now at a level of 19% (as of the date of this report), it is impossible for a developer to secure financing at a cost which would make any development feasible. As interest rates have risen, the tax exempt bond market has been devastated in the past month, bond interest rates progressing from a level of 8-3/4% less than a year ago to instances of 12% plus in current issues. As long as inflation drives the cost of money to such levels and restrictive Federal monetary policies encourage such realities, it will be impossible to develop housing at any level other than for the most luxurious market, or would absorb exhorbitant amounts of presently available housing subsidies. Rental units have been virtually priced out of the market. The required rent revenue to cover the higher mortgage, operations, and maintenance costs of newly constructed rental units has put such units beyond the range of affordability of most people in the rental market. This is a national problem.

Current legislation pending at the Federal level (Ullman; Cranston/Williams) seeks to limit local issuance of municipal bonds. Though the intent of the City of Los Angeles (to limit bond assistance to low and moderate income projects) is within the objectives of both pieces of legislation, requirements for secruity reserve accounts and total bond ceiling limitations will greatly jeopardize the City's Housing Production Program. Failure to resolve the Ullman Bill prior to early summer months will make it impossible for the City of Los Angeles to consider a bond issue for the construction of moderate income housing, despite the City's readiness to act on such a program at that point. Moderate income, owner-occupied, multi-family housing production is required if the pressures on the rental market is to be eased.

E. Planning/Zoning/Processing

A number of Council actions over the period of the last two decades have resulted in zoning patterns within the City of Los Angeles which would expand single family communities in low density areas. The trend recently has been towards a reduction in allowable density. Moreover, growing political activism can be evidenced among homeowner groups who see any multi-family housing as undesirable in their geographical areas.

Council decisions authorizing local down zoning; EIR regulations; excessive local parking requirements; and recently proposed solar energy components are but a few of the numerous resolutions which stimulate an "anti-development" climate in the City. A developer is further discouraged from constructing in Los Angeles when faced with the City's fragmented permit processing structure in which final decisions involve multiple appearances before Council; continual delays within the agency; and numerous requirements for changes in plans which have previously received approval.

Mayor Bradley has appointed three Committees which have dealt specifically with construction processes and delays. Acting upon the recommendations of these committees, processing time has been reduced substantially from over three years, in some cases, to an average of twelve months. Further efforts to consolidate and expedite the processing approval is needed if development in Los Angeles is to become competitive with other localities.

F. Availability of Land

Land is becoming less available and the frustration of developers who decide to take the risk of developing in Los Angeles despite the above restrictions is heightened by an inability to locate suitable sites for development. The Grants Committee's Task Force on Housing Production is developing a list of suitable City-owned surplus land which might be made available for residential development. Further efforts to facilitate the purchase of such lands, including the creation of a land banking authority, will be needed in the future if sufficient development sites are to be purchased at costs which will lead to reasonably priced projects.

G. Public Expectations

While the shortage of housing in the City may be continually discussed in the press and in the public, there is little comprehension of the cause of the shortage and the complexities of developing housing. The average resident in Los Angeles expresses anger, disgust, frustration, etc., with the City Government's inability, in their view, to "solve" the housing crisis, when in reality the crisis is not one of governmental inaction, but of economic fact. Many renters must come to accept the hard reality that they will, of necessity, remain tenants, never being able to afford the substantial downpayment and increasing high mortgage payments that homeowners require. Future homeowners, likewise, must accept smaller sized units in higher density lots, often in a multiple story development. Los Angeles' housing profile in the 1980's will be basically that of a rental community, with ownership options for new owners being available in large part in higher density projects.

PROPOSED FIVE-YEAR HOUSING PRODUCTION

TARGETS, STRATEGIES, ASSUMPTIONS

The need for 58,000 to 80,000 new residential units annually is a demand which far exceeds the capacity of both public and private housing sponsors. The program offered here, reflects the resources available to the City.

There are a variety of approaches that can be considered in structuring City housing programs. Clearly that the City cannot wish to own/manage all residential units produced; the involvement of private sector organizations is necessary for implementation of a housing program.

Three styles of potential partnership appear achievable:

1. Joint venture development (public and private agencies sharing of financing, land and construction costs);
2. direct project assistance (land write-down; bond issue financing; tax increment subsidies; permit expediting; density bonuses) to private developers;
3. contractural development (an innovative approach designating private corporations responsible for total packaging of development activities from selection of sites through final occupancy of units).

These approaches to development provide options for the City in relationship to the fifteen (15) programs which it has identified as currently available. Chart 4 presents each program singularly and discusses the types of resources, goal objectives, assumptions, and lead agency responsibilities. Further discussion of this chart is available in Technical Appendix "A". It should be noted in summary of the matrix that of the fifteen (15) programs presented, seven (7) are to be through the Community Development Department; five (5) through the Community Redevelopment Agency and three (3) by the City Housing Authority. With the exceptions of programs 5, 6, 7 and 12, which are limited to particular neighborhoods, all other projects may occur Citywide. The goals can be considered only as realistic as the resources are available. Even under this most aggressive plan, the combined efforts of City agencies net roughly 15,000 units of housing over a five (5) year period. This clearly shows that the housing crisis in Los Angeles cannot be resolved solely through the efforts of government.

Moreover, beyond those efforts which are directed at housing production, the City must examine ways in which better utilization can be made of existing housing stock. This may involve revisions in the City Zoning Code or Building and Safety Code. One specific approach would be the permitting of bedrooms of single-family residences to be rented out to elderly or other unrelated persons.

Chart 1

HOUSING COST COMPONENTS

1978 Cost Component as % of total Cost	Change in Component % 1970-1978
Labor 17.2	-17.7%
Material 28.8	-17.9%
Land 26.8	27.6%
Financing 9.6	47.7%
Profit 12.4	3.3%
Other 5.1	.75%
100%	

Source: Building Industry Association and Construction Industry Research Board.

* Figures are statewide averages

Chart 2

ANNUAL INTEREST RATE & ANNUAL INCOME

1	2	3	4	5	6	7	8	9	10	11
SALES PRICE	DOWN PAYMT.	80% LOAN	INT. RATE 30YR	MO. INT. & PRIN.	MO. R.E. TAX. 1%	MO. FIRE INS. EXP	MO. UT. + MAINT.	TOTAL MO. EXP	MO. INC. REQ.: 30%	YEARLY INCOME
$115,000	$ 23,000	$ 92,000	10.0%	$ 807	$ 96	$ 30	$ 170	$ 1,103	$ 3,677	$ 44,124
			10.5	842				1,138	3,793	45,516
			11.0	876				1,172	3,907	46,884
			11.5	911				1,207	4,023	48,276
			12.0	946				1,242	4,140	49,680
			12.5	982				1,278	4,260	51,120
			13.0	1,018				1,314	4,380	52,560
			13.5	1,054				1,350	4,500	54,000
			14.0	1,090				1,386	4,620	55,440
			14.5	1,127				1,423	4,743	56,916
			15.0	1,163				1,459	4,863	58,356
			15.5	1,200				1,496	4,987	59,844
			16.0	1,237				1,533	5,110	61,320
			16.5	1,274				1,570	5,233	62,796
			17.0	1,312				1,608	5,360	64,320
			17.5	1,349				1,645	5,483	65,796
			18.0	1,387				1,683	5,610	67,320
			18.5	1,424				1,720	5,733	68,796
			19.0	1,462				1,758	5,860	70,320
			19.5	1,500				1,796	5,987	71,844
			20.0	1,537				1,833	6,110	73,320

HOUSING DIVISION, CDD, CITY OF LOS ANGELES
MARCH, 1980

Chart 3 REQUIRED RENT FOR A TWO-BEDROOM UNIT WITH CONVENTIONAL COSTS AND WITH AVAILABLE SUBSIDIES

	CONVENTIONAL FINANCING 15% 30 YRS.	CONVENTIONAL FINANCING + LAND ASSISTANCE	TAX-EXEMPT BONDS 11% 30 YRS.	TAX-EXEMPT BONDS + LAND ASSISTANCE
UNIT COST: (1,000 S.F., 2BDRM.)				
CONSTRUCTION $36 S.F.	$ 36,000	$ 36,000	$ 36,000	$ 36,000
LAND	17,424	-0-	17,424	-0-
INTERIM FINANCE	5,342	3,600	3,883	2,580
TOTAL UNIT COST	$ 58,766	$ 39,600	$ 57,307	$ 38,580
DEBT SERVICE /MONTH	$ 743	$ 500	$ 545	$ 367
MONTHLY EXPENSES:				
DEBT SERVICE	$ 743	$ 500	$ 545	$ 367
MANAGEMENT	113	113	113	113
VACANCY 5%	42	31	33	24
REQUIRED RENT/MTH.	$ 898	$ 644	$ 691	$ 504
REQUIRED INCOME/YR (RENT = 30% GROSS INCOME)	$ 35,920	$ 25,760	$ 27,640	$ 20,160*

HOUSING DIVISION, COMMUNITY DEVELOPMENT DEPT., CITY OF LOS ANGELES

*Maximum allowable income for a family of four, under the CDBG program, is $15,050

Chart 4

FIFTEEN PROGRAM HOUSING PRODUCTION PROGRAM

CITY OF LOS ANGELES - PROPOSED FIVE YEAR HOUSING PRODUCTION PROGRAM

PROGRAM	F	E	LEAD AC'Y	OTHERS	Number of Units 1980	1981	1982	1983	1984	TOTAL	Required Resources: Section 8 N	EX	RC	CDBG	TAX ALLOCATION BOND $	PUBLIC HSG	SB 99	SB 229	MUNICIPAL FINANCED FUND
1."Five-plex"	x		CRA	Private Developers	125	200	275	300	400	1,300 *1	x				$ 14.5		x		
2.Large Family Relocation Hsg	x		Hsg Auth	CRA	10	20	20	25	25	100					2.4	x			
3.Land/Capital Assistance	x		CRA	Private Developers	30	70	100	100	100	400		x			13.8		x		
4.Land/Capital Assistance	x		CDD	Non-profit	95	400	400	400	400	1,695		x	x	x				x	x
5.Redev't Areas	x	x	CRA	Non-profit/ private dev.	350	690	350			1,390	x			x	9.6		x		
6.Central Business District	x	x	CRA	Non-profit		135		200		335	x				6.1				
7.Middle Income	x		CRA	Homeowners	300	600	300	200		1,400							x		
8.Land Write-Down	x		CDD	Private Developers	500	500	500	500	500	2,500	x			x					
9.CHFA (land write-down)	x		CDD	Private Developers	205	205	205	205	205	1025	x			x					
10.HUD-held		x	Hsg Auth	CRA	*3 349					349	x			x			x		
11.Elderly		x	CDD	CRA/Hsg Auth	*2 374	350	350	350	350	1774	x			x			x		
12.NSA (Hwd/Crenshaw	x	x	CDD		500	395	145			1,040	x			x					
13.SCAG Bonus Units	x	x	CDD		160	160	160	160	160	800	x			x (f)					
14-Low Rent Public Housing	x	x	Hsg Auth		100	200	200	200	200	900				x					
15.Municipal Finance Fund	x	x	CDD																
TOTALS					3098	3925	3005	2640	2340	15008					$46.4	FOOTNOTES & KEY TO CHART on page 2			

Program	Critical Assumptions
1.	Additional referendum authority/Section 8 set-aside/tax allocation bond issue
2.	tax allocation bond issue
3.	tax allocation bond issue/investor interest/adequate security for "SB99"
4.	changes in Section 8 Recently Completed program/400 unit annual target result of SB 229 and Municipal Finance Fund Fund bonds
5.	tax allocation bond issue
6.	tax allocation bond issue
7.	So. Park (400 units) dependent on UDAG grant and federal legislation affecting "SB 99". If "SB 99"" not available for So. Park, CBD tax allocation funds will be substituted.
8.	developer interest/allocations of Section 8 units at constant level
9.	developer interest/allocations of Section 8 units at constant level
10.	availability of Section 8 Substantital Rehabilitation contract authority
11.	elderly allocation of Section 8 at constant level
12.	approval of Crenshaw NSA application
13.	award of constant level of units
14.	HUD processing/sufficient funds for land acquisition
15.	moderate-middle income: mix and ownership/rental mix to be determined by Financial Consultant's report, and status of federal legislation affecting ability to issue bonds.

CITY OF LOS ANGELES FIVE YEAR HOUSING PRODUCTION PROGRAM

FOOTNOTES

1. If special set-aside of Section 8 contract authority not available, or at a level less than 1,300 units, CRA would offer to extend program benefits and finance and assist otherwise eligible projects generated under NOFA process. (NOFA projections listed under #8 and #13.) In such cases, these units will already have been counted under # 8 and # 13.

2. An additional 270 units of NOFA Elderly included under #5.

3. Additional units will be identified on an ongoing basis.

4. Production projections difficult to forecast for some programs beyond one - two year period, (e.g. # 5, # 10, # 12, which explains the drop in totals for 1982 - 1984.

KEY TO CHART

F = Family

E = Elderly

N = Section 8 New or Substantial Rehabilitation

EX = Existing Section 8 Program

RC = Recently Completed Section 8 Program

CHFA = Calif Housing Finance Agency

NSA = Neighborhood Strategy Area

NOFA ="Notice of Fund Availability", process by which HUD seeks Section 8 proposals.

TECHNICAL APPENDIX "A"

DEFINITION OF FIFTEEN PROGRAM HOUSING PRODUCTION PROGRAM

"FIVE-PLEX"

Use of "SB 99" and Bunker Hill Trust Fund money to assist in developing Section 8 Family Housing, new construction located citywide on scattered sites. CRA assistance provides mortgage funds, loan under-writing functions, financial assistance, and processing of Section 8 applications for HUD.

Assumptions

- o Availability of increased Section 8 contract authority as a special set-aside, or as part of "NOFA" process
- o Voter approval of additional referendum authority on June 1980 ballot, extending thetype of assistance to projects of up to 30 units.

Unit Projections

1300 units during 1980 - 1984

1980	1981	1982	1983	1984
125	200	275	300	400

Financial Requirements

Per unit - $10,000 - 15,000 depending upon location of site and site of project
Total for 1,300 units = $14.7 million
Source - Bunker Hill low and moderate income Trust Fund
Lead Agency - CRA

Comments

If 1300 units not available by special set-aside, regular HUD NOFA units meeting Article XXXIV requirements could be assisted under this program.

If less than 1300 units of Section 8 new construction contract authority is available over the five year period, the CRA will transfer that portion of Trust Fund money to the CRA land/capital assistance program.

Initial demonstration of 100 units is now in progress - Section 8 contract authority to become available May 1; CRA and HUD Area Office establishing Section 8 processing role for the CRA.

Initial demonstration of 100 units is now in progress - Section 8 contract authoirty to become available May 1; CRA and HUD Area Office establishing Section 8 processing role for the CRA.
Operational - June 1980

LARGE FAMILY RELOCATION

Housing Authority and CRA develop single family, duplex, and triplex housing on scattered sites for large family relocatees, using conventional public housing with CRA Bunker Hill Trust Fund to assist in land acquisition and development costs.

Assumptions

- o availability of conventional public housing for these scattered site projects.
- o CRA identifies sites, provides site option funds, drafts development plan, and funds any excess construction costs over HUD's maximum levels.
- o Housing Authority approves sites, designs housing, finances projects, supervises construction, owns and manages the projects.
- o CRA relocatees are given priority for occupancy

Unit Projections

100 units during 1980 - 1984

1980	1981	1982	1983	1984
10	20	20	25	25

Financial Requirements

Per unit - $20,000 - 25,000
Total for 100 units = $2.4 million
Source - Bunker Hill low and moderate income Trust Fund

Lead Agencies
Housing Authority - development and financing
CRA - sites, "gap assistance"

Comments

- o CRA and Housing Authority to establish details on programs, March, 1980
- o CRA to identify sites for first 10 units, April, 1980
- o Housing Authority to submit applications to HUD, June, 1980
- o CRA and CDD agree to make NSA relocatees eligible; Block Grant Funds ($25,000 per unit) may be recommended and unit projections increased accordingly for NSA relocatees

CRA LAND/CAPITAL ASSISTANCE - Family Rental

CRA provides "front-end" assistance to reduce mort gage to level at which it can be supported by Section 8 Existing Housing Rents. CRA to provide mortgage funds through "SB 99" program and "front-end" assistance through Trust Fund money. Occupancy by moderate income as well as low income families.

Assumptions

- legislative change in "SB 99" to clarify its use for low and moderate income, citywide.
- ability to structure a Program attractive to the Investment Community (this might require additional security through FHA insurance, FHA co-insurance, or CRA self-insurance).
- income mix to be at least 51% moderate income to permit projects not subject to Article XXXIV
- program will be geared toward private developers - CDD to administer similar program for non-profits.
- moderate income families would pay "rent" necessary to meet "SB 99" mortage; low income families would receive Section 8 existing housing certificates and would pay a portion of income, with HUD making up the remainder.
- Housing Authority administers Section 8 Certificate Program
- commitment of City to support continued use of Section 8 Existing Housing Certificate Program in these projects.

Unit Projections

400 units during 1980 - 1984

1980	1981	1982	1983	1984
30	70	100	100	100

Financial Requirements

$33,000 - 35,000 per unit, approx.
Total for 400 units - $13.8 million

Lead Agency

CRA

Comments

- CRA has been investigating investor interest in program, and estimates a 9 month period to structure long term financing to satisfy investor requirements

- CRA will attempt a 30 unit demonstration project by Dec. 1980, and will seek private placement of permanent financing

Comments - cont'd

- "SB 99" amendments will be introduced this month in State Senate.
- Study of FHA insurance, FHA co-insurance, and self-insurance options by May, 1980. Additional funds from Bunker Hill Trust Fund may be needed for co-insurance or self-insurance.

SPECIAL FINANCIAL NEEDS OF LOW AND MODERATE INCOME HOUSING WITHIN REDEVELOPMENT PROJECT AREAS

Use of Bunker Hill Trust Fund money to cover special financial needs of low income elderly and family projects for reasons such as (1) "gap-financing"; (2) unforseeable needs; (3) innovative approaches and; (4) accelerative development schedule.

Assumptions

- developers would be required to exhaust other resources prior to use of Trust Fund money
- Could be used to assist projects already receiving Block Grant assistance

Unit Projections

Approximately 1,390 units over the next two to three years

1980	1981	1982	1983	1984
350	690	350		

Financial Requirements

Per unit - vary

Total - $9.6 million

Source - Bunker Hill Trust Fund

Lead Agency - CRA

Comments

- In next 3 to 4 months, funds will be needed for projects in Chinatown, Pico-Union I, and Normandie/5.

CENTRAL BUSINESS DISTRICT TRUST FUND

Use of proceeds from tax allocation bond to assist low and moderate income housing in Skid Row (135 units) and So. Park (200 units).

Assumptions

- CRA's ability to issue tax allocation bond
- So. Park low and moderate income program depends on success in developing middle income housing in area (see # 7).

Unit Projections

235 units (135 Skid Row, 200 So. Park)

1980	1981	1982	1983	1984
	135		200	

Financial Requirements

Skid Row - $3.6 million (CRA develope)

So. Park - $2.5 million (land acquisition)

Lead Agency

CRA

Comments

- City Council to consider CBD tax allocation bond issue, 2/27/80

MIDDLE INCOME PROGRAMS

CRA use of "SB 99" financing to reduce the mortgage interest rates on condominium developments located within project areas (So. Park and Monterey Hills).

Assumptions

- So. Park - dependent upon UDAG grant and clarification of pending federal legislation regarding tax-exempt mortgage revenue bonds

Unit Projections

Monterey Hills - 1,000+
So. Park - 400
1,400 units

1980	1981	1982	1983	1984
300	600	300	200	

Lead Agency

CRA

Comments

- $104 million bond issue for Monterey Hills sold 3 months ago. Development timetable calls for 1,000+ units over the next three years.
- UDAG decision due March 30, 1980; Ullman bill status in flux

PROGRAM 4
LAND/CAPITAL ASSISTANCE PROGRAM

Currently Available Funding Sources	1980	1981	1982	1983	1984
HCDBG Bunker Hill Trust Fund Section 8 Existing	95	95	95	95	95
with SB 229 (available in Fall 1980)	*345	345	345	345	345
with Municipal Finance Fund Section 8 Recently Completed	400	400	400	400	400

*These figures represent cumulative totals

Assumptions

1. Number of units based on constant dollars. Additional units could be assisted if CDBG allocations were increased beyond level necessary to cover inflation.

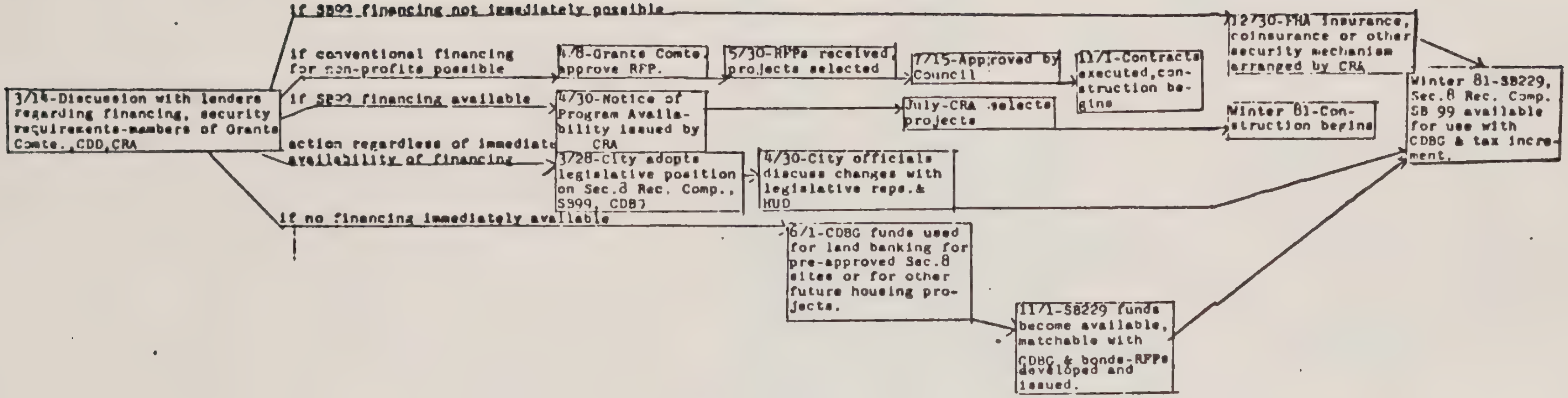
2. Use of the immediately available funding sources requires the ability to obtain conventional financing-this is the first suggested step in the PERT chart.

3. Full use of immediately available funding sources requires the ability to finance non-profit sponsored projects.

4. The optimal program, utilizing Municipal Finance Fund and Section 8 Recently Completed require additional time. The CDD is proceeding to establish a Municipal Finance Fund and intends to pursue changes in Section 8 Recently Completed with assistance from CLA and CRA. Successful use of bond-financing for low income projects will likely require a long term rent guarantee, such as a long term Section 8 contract.

5. Required subsidy per unit will be between $35,000 and $40,000.

LAND/CAPITAL ASSISTANCE PROGRAM
programs 3 and 4



PROGRAMS 8, 9, and 12
SECTION 8 FAMILY

	1979	1980	1981	1982	1983	1984
HUD Regular NOFA's (Program 8)	895	500	500	500	500	500
CHFA Sec. 8 (Program 9)	22	205	205	205	205	205
HCDBG writedown funds for HUD & CHFA units is $6.48 million for 1979 and 1980 units						
100 Crenshaw NSA units (Program 12)		+100	+100			
105 Hollywood NSA units (Program 12)		105				
	*917	** 910	805	705	705	705

Unit projections assume that federal budget will increase only in pace with increasing per unity subsidy costs, and that the total number of units will not increase.

*An additional 50 units for a pre-approved site in the Marina were approved in 1979.

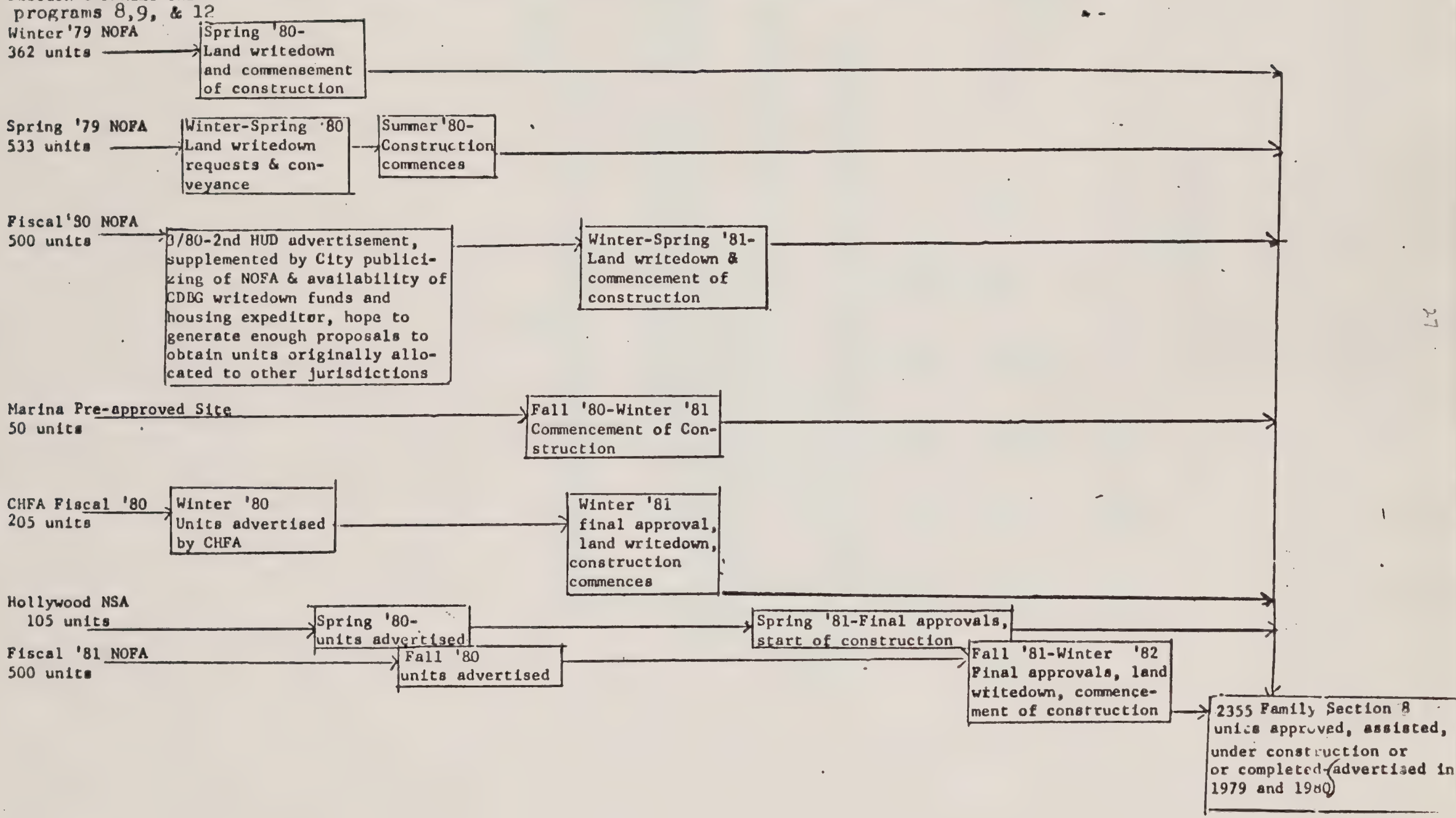
** The CDD hopes to obtain HUD funding for additional units, from allocations for other areas, by promoting a surplus of approval projects as occurred with the Spring, 1979 NOFA.

Lead Agency - CDD

+Proposed application and units

This chart on Family Section 8, as well as the subsequent chart on Elderly Section 8 are presented in order to illustrate the time sequence for Section 8 units from adverisement to construction start,

SECTION 8 FAMILY UNITS
programs 8,9, & 12



PROGRAM 11, 12, 13
SECTION 8 ELDERLY

	1979	1980	1981	1982	1983	1984
Hollywood NSA (Program 12)	167	195	195	145	-0-	-0-
SCAG Bonus Units (Program 13)	*160	160	160	160	160	160
HUD NOFA/Section 202 (Program 11)	264	+346	350	350	350	350
CHFA	326	-0-	**	*	*	*
Crenshaw NSA*** (Program 12)		100	100			
	917	801	805	655	510	510

Projections assume that HUD's overall allocations will be constant, with budgetory increases allowing no more than what is necessary to keep pace with inflation.

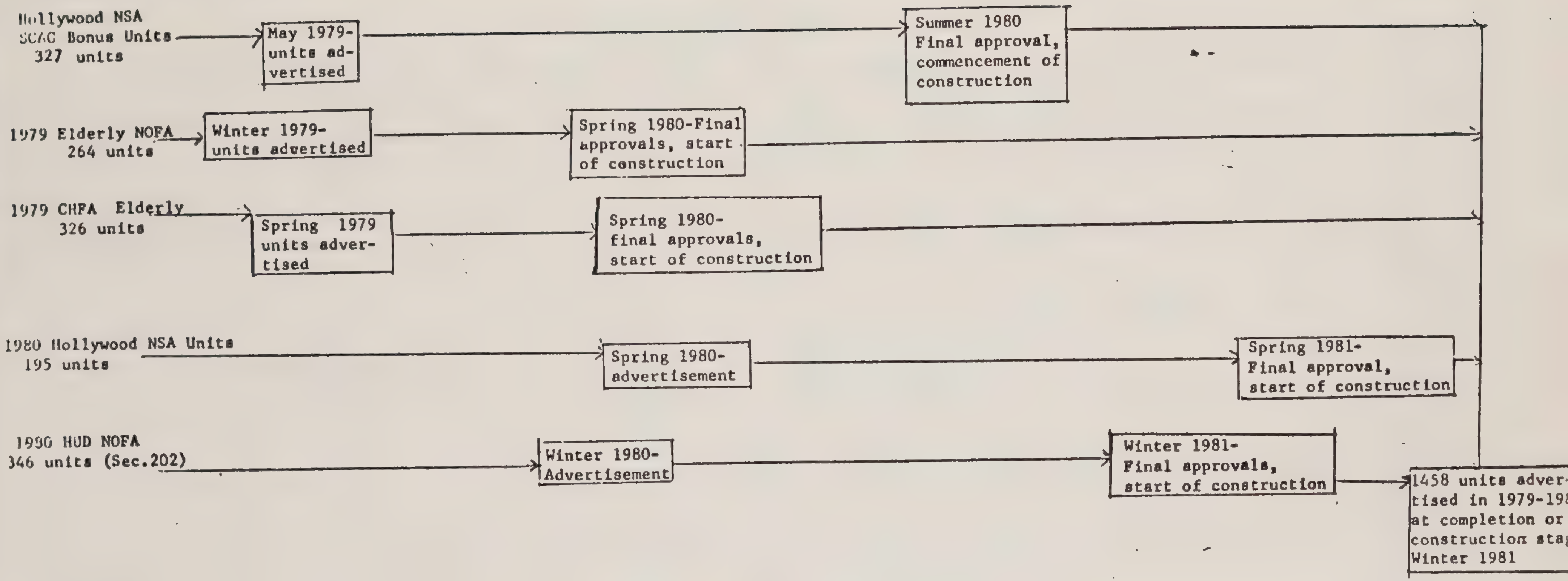
*SCAG bonus allocations are special allocations. It is expected that additional units will become available.

**CHFA allocations, as well as the overall allocations for Elderly units, are contingent on the City meeting its proportionality requirement with respect to Family units. Additional Elderly units, and fewer Family units. Additional Elderly units and fewer Family units, than projected could be available in future years.

***Crenshaw NSA proposed.

+Total includes Elderly units planned for Redevelopment Areas, but allocated through 1980 NOFA. Total does not include second phase of Angelus Plaza.

SECTION 8 ELDERLY 1979-1980



LOW RENT PUBLIC HOUSING
program 15
Below are status summaries of specific Low Rent Public Housing Projects in the development stage by the Housing Authority. In addition 96 Family and Elderly Section 8 units (counted in previous sections of this report) are under development or are being planned by the CHA.

LOW RENT PUBLIC HOUSING - FAMILY

NEW CONSTRUCTION

PROJECT/LOCATION	PHASE	W.O.	DU'S	STAFF	PROGRESS	
744 North Tularosa Drive	Site Approval		5* Townhomes		Preliminary Site Report to HUD - Preliminary Design Work	Awaiting tentative site approval from HUD's LAAO
3814-16 Montclair Street	"		5* Units		" "	" " (HUD-owned property)
3910 Montclair Street	"		5* Units		" "	" " (HUD owned property)
563-565 West 92nd Street	Design		5* Units		Tentative site approval - Appraised - Optioned - Preliminary Design	
Program Reservation for Additional Developments					CA16-P004-039, 042 through 101	
			*Number of units subject to change if there is a change in referendum authority.			
			20			

LRPH - ELDERLY

SUBSTANTIAL REHABILITATION

PROJECT/LOCATION	PHASE	W.O.	DU'S	STAFF	PROGRESS	
Westside Manor CA16-P004-038 1224 South Norton Ave.		3070	34 1-BR Apts.		Contract award approved; pre-construction conference completed. Awaiting execution of contract and notice to proceed.	
Hotel Commodore 1207 + West 7th St. LA	Preliminary design; structural & bldg analysis		100 1-BR Apts	Brooks King Mann Ingram	Awaiting preliminary site approval from HUD's LAAO. Proceeding with preliminary studies.	
			134			

LRPH - ELDERLY

NEW CONSTRUCTION

PROJECT/LOCATION	PHASE	W.O.	DU'S	STAFF	PROGRESS	
1530-1536 Yosemite Drive	Design*		80 1-BR Apts		Preliminary design. Zoning approved. Submission to HUD.	Awaiting preliminary design approval.
Simpson/Saticoy	Design**		40 1-BR Apts. and 5 Family Townhomes		" "	" "
	*If these projects are not accepted as LRPH developments, alternative development strategies have been planned to include use of Existing Section 8 for Recently Completed Housing.					
	**5 Family Townhomes on adjoining site submitted as Section 8 proposal as well.					
		-	120			

LRPH - Family

SUBSTANTIAL REHABILITATION

PROJECT/LOCATION	PHASE	W.O.	DU'S	STAFF	PROGRESS	
Program CA16-P004-041	Property Acquisition		64		Development Program for ACC Prior to Site Selection Submitted 9/79. Awaiting approval.	
			64			

TECHNICAL

APPENDIX "B"

AVAILABLE HOUSING RESOURCES AND PROGRAMS

ANALYSIS OF HOUSING RESOURCES FOR LOW INCOME HOUSING

With the high cost of each of the major components of housing construction, it is essential that several resources be combined in order to produce housing that is affordable to moderate-low income persons. The Housing Production Task Force examined the assistance required in order to produce low cost units; the resources available to the City' and the legally permissible and financially feasible ways in which such resources can be used in tantem.

As an aid to understanding the requirements of a successful lower cost housing program, Table I delineates the rent levels required for unsubsidized and partially subsidized rental projects. Table II displays major housing cost components. The assumed construction cost is less than current industry standards and the interest rate on tax-exempt bond financed mortgages is lower than present rates on such mortgages.

Recognizing that a four-person household with an income of $15,050 maximum (80% of the City median income) can be assisted under Housing and Community Development regulations, it can be seen that even partially subsidized projects may required rents above those affordable to low income households. Low cost housing projects, given today's costs in the housing industry, must be deeply subsidized in order to be affordable to even moderate low income households.

While there are many available housing resources, each contains some limitations on their use as well as some particular attributes which can help make housing affordable to low income households.

ANALYSIS OF CITY HOUSING RESOURCES

Section 8 New Construction

This is the basic HUD program for subsidized low cost housing construction. By paying the difference between the rent requried to cover the mortgage payment and operation and mani-

tenance expenses and the rent that low income households can afford to pay, it provides an assurance to project sponsors of an adequate revenue. However, there are several aspects to this program which limit its ability to alleviate the City's housing shortage. As housing costs continue to rise while the federal government budgets in an atmosphere of tight economic and political constraints, there are a limited number of units that can be assisted each year. Moreover, family unit projects are resisted by developers. In addition to the greater difficulty in managing such units, their densities require more land and thus higher costs which often place the project mortgages above that permitted by FHA (these mortgages are usually FHA-insured and subsidized by the Government National Mortgage Association). The lengthy FHA review process also discourages participation by private developers. The City is attempting to alleviate these problesm by partially subsidizing the land costs of Section 8 Family projects (a minimum of $5.58 million has been set aside). Also, the CRA is attempting to provide alternative financing for a special set aside of 100 Section 8 Family units.

Section 8 Existing

This program subsidizes the rents for individual, existing rental units, thus making such units available to low income households at an affordable rent. The allowable rents under this program are considerably lower than for Section 8 New Construction, and with the tight rental market in Los Angeles, many eligible low income persons are uable to find units with rents low enough to be eligible under the program. The rent levels are to low and the contract period too short to be readily used for new constructed units, even if the land cost is subsidized with Community Development Block Grant funds. 12,105 certificates are available. Of this number, 2,000 certificates have not been placed in units. This is due to a combination of normal turnover, lack of eligible vacant units, and the rents of contracted units exceeding the allowable HUD rents.

Section 8 Recently Completed

Cities are allowed to convert some of the Existing Section 8 certificates that are received from HUD into Recently Completed Section 8 certificates, with higher rents. Not as many units may be funded, but the higher rent assures that these rent certificates will be usable. Currently, the City uses this program in conjunction with its 15% Ordinance program. This is serving to economically intergrate some newer housing projects,

but is not serving to leverage the construction of new units. Even if such subsidies were combined with subsidized land costs, the short time period for the contracts (five years) limits its usability for new construction, particularly if bond financing is also to be used. Currently 400 certificates are in the Recently completed category.

Housing and Community Development Block Grant

These funds may be used to subsidize land acquisition costs, but with the exception of non-profit sponsored projects, may not be used to subsidize construction costs. Table I illustrates that land subsidy alone is insufficient to bring unit costs down to a level where the rents are affordable to low income households. While construction costs of non-profit sponsors may be subsidized, a program using this resource alone would leverage a relatively small number of units. The per unit subsidy would be considerable, thus limiting the total number of units that can be assisted. $5.58 million has been set aside to writedown the land costs of private, non-profit sponsored Section 8 Family projects and to assist the acquisition of sites by the City Housing Authority and non-profit sponsors. Approximately 1,350 units are expected to be assisted or eligible for assistance during this year.

Tax-Exempt Mortgage Bonds

The interest income to investors of these bonds is tax-free, thus permitting the bonds to be sold at a lower interest rate. The mortgages they finance have lower interest rates than conventional interest rates. However, while bond-financed mortgages represent a source of assistance for low cost housing projects, there are limitations on their use and limitations to their effectiveness.

While such bonds provide below market mortgage rates, these rates follow other interest rates, and increase at a time of high interest rates, such as the present. In order to avoid the delays involved with FHA mortgage insurance, the bonds should be privately insured. However, such insurance is not normally available for rental projects containing more than four units.

To successfully market bonds which are to finance low cost housing mortgages, the project must be sufficiently subsidized, including a rent subsidy to assure a stable and adequate revenue flow. The only such long-term rent guarantee is Section 8 New Construction, but these projects do not require bond financing to be feasible. Moreover, the number of available subsidy commitments is determined by the federal budget, not the City.

A further limiting factor of bond financing is that its use places the project under Article 34 of the State Constitution, of more than 50% of the units are for low income household. Thus, requiring referendum authorization. The City's referendum language limits family projects to no more than five units per site, an often infeasible project size. The Community Development Department

along with the CRA and the Housing Authority has proposed revised referendum language which would allow for greater flexibility.

Proposed federal legislation will further limit the use of tax-exempt bonds for moderate income housing, requiring that 20% of the units in a rental project be for low income households. Restrictions have also been proposed on the income level for occupants of owner-occupied units as well as on the total number of such units assisted by tax-exempt bonds.

CRA SB99 Bonds

These are tax-exempt bonds issued by the CRA. They have the characteristics described above to tax-exempt and mortgage bonds. However, while now available to the City, they can only be used outside of redevelopment areas if the units are receiving an ongoing subsidy, and are thus effectively limited to low income projects of no more than five units per site. The City is undertaking the required steps to establish a municipal finance fund so that greater flexibility in project location and project type will be possible.

HOHI (Home Ownership and Home Improvement)

One-four unit owner or renter-owner occupied projects are eligible for bond-financed funding through HOHI (Home Ownership and Home Improvement Loan Program). The City has funded moderate income, owner-occupied projects, as well as a Section scattered site project through this program. The currently available funding is on a competitive project basis. If such funding is to be used with HCDBG land writedown funds, the City would have to first select such projects and then submit these to the California Housing Finance Agency (which funds the HOHI program) for final selection.

CRA Tax Increment Funds

This is revenue that accrues to the CRA as a result of the increase in the property tax base in redevelopment areas after projects have been successully completed. Some of this revenue is earmarked for the Bunker Hill Trust Fund to subsidize low cost housing projects throughout the City, replacing the inexpensive housing which was removed during the clearance of the Bunker Hill project area. These funds have the advantage of not having strings on the way they may be used. However, in the aftermath of Proposition 13, the total amount available has been reduced. The CRA anticipates that an average of low and moderate income 640 units per year will be partially assisted with tax increment funds.

SB 229 Rental Housing Program

The State of California is preparing to launch a new program. With the major portion (80% of the available funds) devoted to a rental construction subsidy program. Front-end development costs will be

subsidized up to 100% and management and operation costs will be subsidized through a 30-year monthly rent subsidy. This program, when operational, offers to be a perfect match for the City's CDBG land writedown funds, as first priority for the allocation of the subsidy commitments will be cities which offer to give matching assistances. Los Angeles can expect to receive approximately 200 such assisted units. If "Jarvis II" is passed, the available number of units will be 25% lower.

TABLE 1

	CONVENTIONAL FINANCING 14% 30YRS.	CONVENTIONAL FINANCING + LAND ASSISTANCE	TAX-EXEMPT BONDS 8.5% 30YRS.	TAX-EXEMPT BONDS + LAND ASSISTANCE
UNIT COST: (1,000 S.F., 2BDRM.)				
CONSTRUCTION $36 S.F.	$ 36,000	$ 36,000	$ 36,000	$ 36,000
LAND	17,424	-0-	17,424	-0-
INTERIM FINANCE	4,962	3,570	2,959	1,994
TOTAL UNIT COST	**$58,386**	**$39,570**	**$56,383**	**$37,994**
DEBT SERVICE /MONTH	**$ 691**	**$ 469**	**$ 433**	**$292**
MONTHLY EXPENSES:				
DEBT SERVICE	$ 691	$ 469	$ 433	292
MANAGEMENT	113	113	113	113
VACANCY 5%	42	29	29	21
REQUIRED RENT/MTH.	**$ 846**	**$ 611**	**$575**	**$426**
REQUIRED INCOME/YR (RENT = 30% GROSS INCOME)	**$33,840**	**$24,440**	**$23,000**	**$17,000**

COMPONENTS OF HOUSING COSTS

TABLE 2

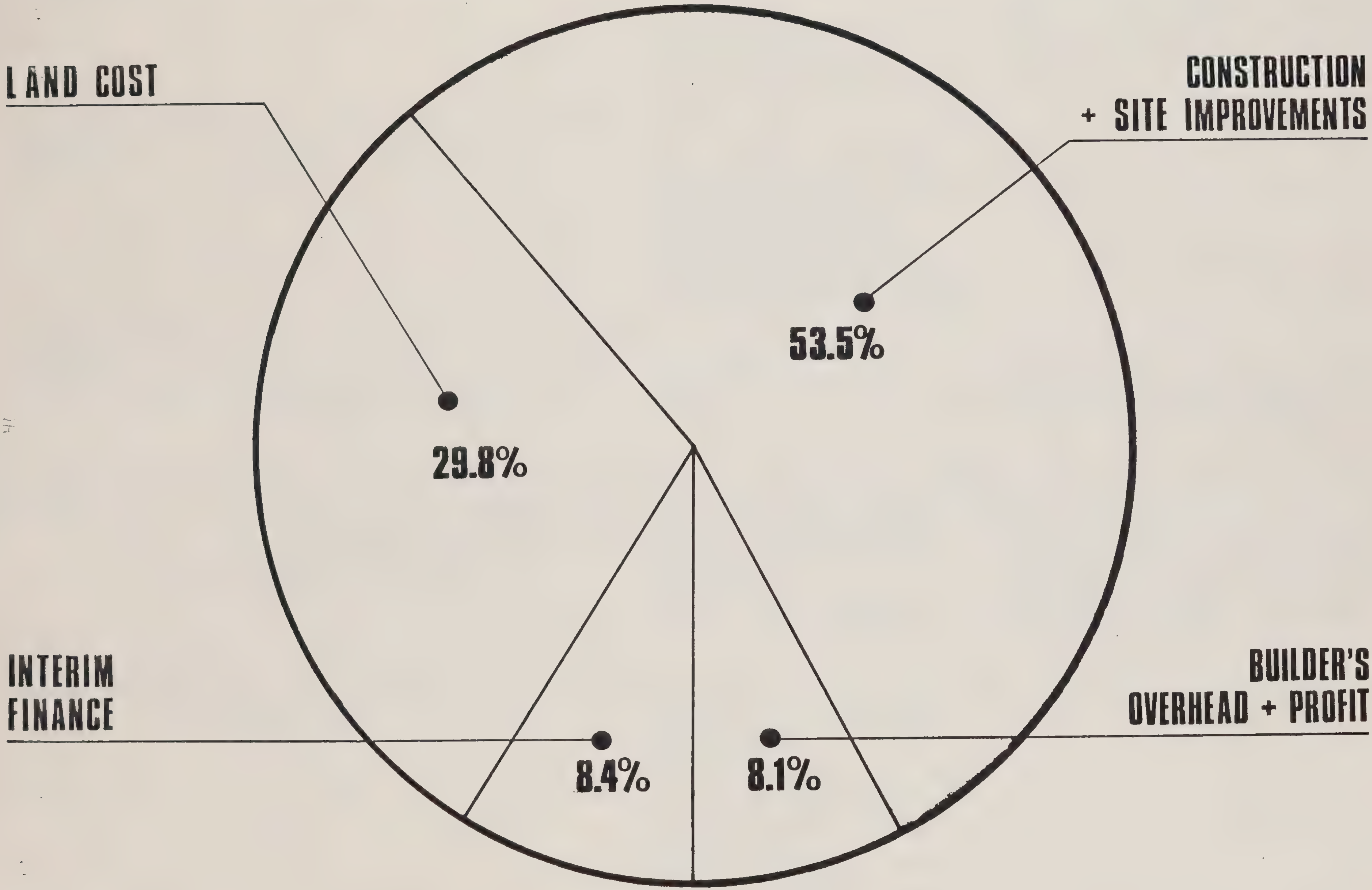


TABLE 3

RESOURCES	ATTRIBUTES	LIMITS	CITY RESPONSE
SECTION 8 NEW CONSTRUCTION	Assures a stable cash flow and market	Limited number of units available, Rising costs, FHA processing time and mortgage limits Reluctance by developers develop family units	Housing Production I Program to write down land costs for Section 8 Family projects ($5.58 million), CRA five-plex program to avoid FHA financing and processing (SB99, write-down with tax increment funds)
SECTION 8 EXISTING	Utilizes existing available units	Rents allowed are too low for newly constructed units and many older units, Many unused certificats because of the difficulties in finding available units, Contracts run for only 3 years	
SECTION 8 RECENTLY COMPLETED	Rents are closer to Section 8 New, Certificates can be used for a greater variety of units	Contracts run for only 5 years	Used for the 15% Ordinance, but new units are not being leveraged
HCDBG FUNDS	Can be used for lan writedown, but can only be used to subsidized construction costs of sponsor is a neighborhood-based non-profit	Must be used for low-income housing, thereby requiring that the units are deeply subsidized, More difficult to use when interest rates are high	CDBG writedwon funds have been set aside to encourage Section 8 Family projects, $3.67 million has been allocated to be utilized for non-Section 8 New Construction housing
TAX-EXEMPT BONDS	Provides lower interest rates on mortgages	Interest rates on the bonds increase when other interest rates increase, Bond-financed low-income projects require rent subsidies in order to assure financially secure projects, The availability of private mortgage insurance is uncertain, Proposed federal restrictions on tax-exempt bonds will require that 20% of the units in each project be low income units	

RESOURCES	ATTRIBUTES	LIMITS	CITY RESPONSE
TAX-EXEMPT BONDS (cont.)		Use of tax-exempt bonds triggers Article 34 referendum requirement and the City limit of 5 family units/site	CDD,CRA,CHA have proposed revised referendum language
CRA SB99 BONDS	Below-market rate loans, Available now	All of the limits noted above with regard to tax-exempt bonds, Additional limitation in that SB99 can be used outside of redevelopment areas only if projects are receiving a continuing subsidy	A municipal finance fund, usable citywide, is being established Legislation is pending to revise SB99
SB229 LOW COST RENTAL HOUSING FUND	Rent subsidy program which can be used in conjunction with a local contribution such as CDBG land writedown funds	Not available until late summer of this year	
TAX INCREMENT FUNDS	These are funds generated through the increase in property valuation and tax revenues in redevelopment areas, with the funds usable in subsidizing construction costs as well as land costs of low income housing projects	The amount available has become restricted as a result of Prop.13	A Bunker Hill Trust Fund to assist low income projects, thus providing replacement of the units lost when Bunker Hill was cleared, has been established
HOHI	Low interest loan funds available through the California Housing Finance Agency for 1-4 unit projects, Moderate as well as low income projects are eligible, Owner-occupied as well as rental projects are eligible	The remaining funds are to be allocated to projects on a competitive basis by CHFA, thus making it difficult to use for our own programs	HOHI funds have been used to finance moderate income owner-occupied units and Section 8 Family projects

COMMITTEE RECOMMENDATIONS
TO STRENGTHEN THE CITY'S
LOW INCOME HOUSING PROGRAMS

The fifteen (15) programs set forth in this report are not dependent on the actions recommended in this section. However, the recommendations in this section, if ultimately adopted, would help enable the City to carry out the programs with maximum effectiveness.

I. Revision of Recently Completed Section 8

The utilization of CDBG funds for housing would be facilitated if Recently Completed Section 8 carried a longer-term subsidy commitment. This would make it possible to consider bond financing by eliminating the uncertainty attached to the short-term commitments. Therefore, the Task Force recommends that the Council and the Mayor support the following two revisions in the Section 8 Program, either through administrative or legislative action:

A. Recently completed Section 8 certificates shall be available for 20 year contracts for rental units assisted with CDBG land writedown funds.

B. HUD shall allow projects which have received fund approval, both for the Section 8 Housing Assistance Payments Program and FHA mortgage insurance, to utilize Section 8 recently completed for 20% of their approved units if CDBG land writedown funds are also utilized.

The Section 8 New Construction Commitments would then be available for additional project approvals.

Effective use of the City's CDBG funds and rental subsidies, and an effective housing production program, should not be hobbled by unreasonable administrative or statutory restrictions.

The Task Force offers several additional recommendations, some of which already have been initiated, which can have a direct impact on the City's housing production efforts.

II. Unused Section 8 Existing Certificates

All Section 8 Existing certificates that cannot be used by holders of certificates for Existing units or in projects developed under the City's housing production program, shall be converted into Recently Completed Section 8. The Housing Authority has recently initiated such transfers. Any obstacles encountered should be brought to the attention of Council.

III. Identify City-Owned Land, suitable for use by the Housing Authority, as pre-approved Section 8 Family sites, for move-on housing, or for other low cost housing projects. This would be of great assistance to the Housing Authority because it has difficulty optioning sites in the competitive Los Angeles land market. Private or non-profit Section 8 developers would find City-owned land attractive because they would not have to commit cash for sites until they have received their final project approvals and were ready to start construction. This could serve to attract smaller developers, provide greater competition and lower per unit costs for Section 8 New Construction in Los Angeles. The sites will be advertised or transferred to CHA for development of public housing. Fourteen suitable sites have already been identified. The Real Estate Division of the Bureau of Engineering is reviewing the City's Computer files in order to locate other possible sites. CDD will review these sites for their suitability for housing.

IV. Section 8 New Construction

Continue support programs which assist the operation of the Section 8 New Construction Program. The two current programs which are directed to this effort are:

A. This past advertisement period offered land cost assistance to private and non-profit developers, as well as the City Housing Authority, in order to facilitate the development of Family Section 8 Projects advertised by HUD and the California Housing Finance Agency.

1033 HUD Section 8 Family units as well as approximately 205 Section 8 Family units allocated by CHFA will be eligible for assistance this year through this program. Statutory limits or costs and rents are such that land subsidy is necessary to make projects feasible.

Projects have been proposed, and units will be built that otherwise would not have been proposed, if the land writedown assistance had not been made available.

The City has been able to receive units originally allocated to other areas, because of the availability of its land writedown assistance. In addition to the 400 units that were advertised by HUD last spring, an 133 units were approved by HUD for the City.

B. The Community Redevelopment Agency, with a special HUD Section 8 Family set-aside, is planning to finance the units with SB99 bonds. This, along with HUD pre-approved project plans, is expected to shorten the pre-construction time. Hopefully, with greater flexibility in the City's bond financing, revised Article 34 referendum language, private mortgage insurance for larger rental projects, and favorable interest rates, this program can be expanded, thus encouraging greater interest in participation in the Section 8 Family Program among developers.

The CRA is expecting to assist 100 units this year with SB99 bond financing and tax increment land writedown funds.

The City should seek the funding of competitive HUD Section 8 Elderly allocations for sites which are located in areas of comprehensive community development activities.

One additional approach, now being explored by CDD and CRA, would be the assembly of many smaller, scattered sites by a development and management firm, their submittal to HUD as a package, the firm offering project monitoring during construction and management upon occupancy. This could help the City to take advantage of its small vacant sites which are not now being utilized.

V. In addition to efforts to better utilize the Section 8 New Construction program, the City must continue its efforts to obtain its rightful allocation of Section 8 New Construction funds.

A possibly under-utilized housing resource may be HUD foreclosed rental units. If such structures can be identified, acquired, and rehabilitated at a reasonable cost, they will increase the City's housing supply. It may be possible to acquire and rehabilitate such structures with a revolving fund. The units could possibly be leased to Section 8 Existing Certificate-holders (who are now having difficulty finding units) and the buildings could be sold to investors who are interested in property which is eligible for accelerated tax depreciation.

The CDD is developing a specific program for CD 8, and the Housing Authority, CRA, and the CDD are developing a package involving two foreclosed projects in CD 10 and CD 4.

VI. While the State's rental construction subsidy program (SB 229) will not be available until later this year, the City shold be prepared to take advantage of this program by making available CDBG land writedown assistance. If all the funds currently in the housing production accounts are obligated by the time the SB 229 program is available, efforts should be made to program additional funds into housing production so as to provide a match for the State program. It is anticipated that there will be a clearer idea of the required and available CDBG funds for this program later in the year.

VII. Both in regard to the construction of housing in general, as well as measures specifically supportive of low cost housing, building incentives should continue to be explored. The Mayor has reconvened the Ad Hoc Committee on Construction Process. The Committee, composed of representatives of the construction industry, will be working with representatives of the Planning, Building and Safety, and Engineering Department to identify further modifications that can be made to streamline the permit process. This Committee can also serve to recommend workable incentives that can be offered to facilitate lower cost housing. Threee specific incentives are recommended by the Task Force for review:

A. Density Bonus In-Lieu Fee - The typical density bonus concept is based on giving a project increased density if a specified proportion of the units are set aside for low or moderate income units. However, such a tradeoff is not usually feasible, because it is not practical to give projects the added density that would be required to generate enough savings. However, an alternative would be to give developers added density in exchange for a fee. The fee would be percentage of the value of the bonus unit or units. The revenue from the fee could then be used to subsidize construction costs of a low cost housing project that would also be receiving HCDBG land writedown assistance. This approach would better enable the City to use its HCDBG funds for low cost housing. It would also have the advantages of being workable with small unobtrusive density increases, conformance to community plans, and attractive to developers of expensive projects in areas with high land costs (where added density is worth more to the developer and where the developer might otherwise be reluctant to include low cost units in a high income project).

B. Parking requirements in the City's zoning ordinance should be revised to allow for reduced requirements for family low-income housing. Developers of low income housing family projects are often forced to bear high per unit development costs in order to meet the City's parking requirements. This is a major reason why the City has found it necessary to use HCDBG funds to writedown the land cost of Section 8 Family projects.

C. The permit fee structure should be reviewed in order to determine whether it is financially feasible to exempt low income rental projects, and possibly other rental projects, from the City's required fees.

D. The Mayor's Ad Hoc Committee should be requested to identify other building and development requirements which if modified could make a substantial reduction in the costs of low and moderate income housing without sacrificing basic housing quality or safety.

While the Mayor's Ad Hoc Committee is to review these recommendations, it should be noted that a Housing Expeditor is finally on

board in the Public Works Department. This person will be available to assist all low cost housing projects in the City's permit process.

VIII. <u>City Article 34 Referendum Language</u>

The limitation of five family units per site for projects covered by the Article 34 referendum requirement (bond-financed projects containing more than 50% low income units, Housing Authority projects) has served to restrict the range of sites upon which projects can be developed, increase the costs of many low income projects by preventing economy of scale or requiring excessive per unit land costs, has made many projects unfeasible, and has restricted the number of CHFA-financed units funded in the City. It should be changed. Revised ballot language has been submitted to the Charter and Elections Committee of the Council. Language with revised limitations should be placed on the City ballot.